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THE INTERIM

MARCH 1998

HELENA, MONTANA

VOL. XI NO. 10

INTERIM PROPERTY TAX COMMITTEE

Committee Discusses Acquisition Value and Proposition 13...The Interim Property Tax Committee met in Lewistown on January 28 and 29. The Lewistown meeting entailed both a public hearing, attended by about 90 local citizens, and a full-day work session. The work session focused on the concept of "acquisition value" as the basis of value for property tax purposes and the effects of Proposition 13 in California since its passage in 1978. The Committee and others in attendance benefitted from the experience and insights of Mr. James Dal Bon and Mr. Alan Flory, both of whom have worked in California's assessment offices since the 1970s, as employees and as the elected County Assessor of their respective counties. Both Mr. Dal Bon and Mr. Flory had positive and negative things to say about "acquisition value" and Proposition 13. After engaging in a lively give-and-take seminar/workshop for nearly 7 hours, the Committee members had many questions answered about acquisition value and Proposition 13, and also had many new questions to ponder. The issue of "acquisition value" as an alternative basis of property valuation for tax purposes will be the main focus of the Committee's agenda at the meeting in Glasgow on April 16.

One item that was news to many attending the Lewistown meeting was the qualification for signature gathering of Constitutional Amendment 76 (CA-76). This constitutional initiative, if qualified for the ballot and adopted by the voters at the November 1998 election, would do several things, including: (1) roll back property values on land and improvements to tax year 1992; (2) establish the "total market value" of such property for tax purposes as the value for which the property is (after 1992) purchased or constructed or, if the property is not sold, the 1992 value of the property plus a maximum of 2% for inflation (or deflation if it occurs); and (3) cap the property taxes payable on such property at 1% of its total market value.

Committee Meets With MACO...The Committee met again on February 9 in Billings at the request of the Montana Association of Counties, in conjunction with the

PLEASE RETURN

MACO winter meeting. Meeting prior to the forum for MACO, the Committee discussed progress to date and issues to be considered at future meetings of the Committee.

The Committee's next meetings will be in Livingston on March 5 at the Depot Center, beginning at 9 a.m., which will include a public hearing beginning at 7 p.m. The following morning, the Committee will conduct a public hearing in Bozeman at the Bozeman Public Library Community Room, beginning at 9 a.m.

For planning purposes, the Committee has scheduled the following for future meetings:

- general sales taxes and gross proceeds taxes: Livingston, March 5;
- acquisition value and CA-76: Glasgow, April 16;
- homestead exemptions and revising mill levy limits: Whitefish, May 14;
- miscellaneous ideas, concepts and alternatives: Havre, June 25;
- refinement of options for the "menu of alternatives": Columbus, August 6;
- final meeting and public hearing on "menu of alternatives": Helena, September 11.

Persons interested in any of the topics or Committee meetings should contact a member of the Committee or Dave Bohyer at the Legislative Services Division (444-3064) or by e-mail at <dbohyer@mt.gov>.

LEGISLATIVE AUDIT COMMITTEE

To Meet in March...The Legislative Audit Committee is scheduled to meet March 27 in Room 104 in the Capitol. The agenda has not been finalized but listed below are a few of the reports tentatively scheduled to be presented.

FINANCIAL-COMPLIANCE AUDITS:

Montana State University, All Campuses (97-10)
Department of Public Health and Human Services (97-13)
Department of Administration (97-14)

EDP AUDIT:

Montana Online Tax and Reporting System (MOTRS), Department of Transportation (98DP-04)

For further information about the meeting, contact the Legislative Audit Division (406)444-3122.

ENVIRONMENTAL QUALITY COUNCIL

EQC to Meet in March...The Environmental Quality Council (EQC) will meet on Friday, March 13 in Room 104 of the State Capitol in Helena. Set out below is a summary of upcoming EQC activities.

Montana Growth Issues...The Growth Subcommittee has scheduled its next meeting for March 12 in Helena. The Subcommittee plans to hold a work session to use the information on growth issues provided to date to develop a work plan for the rest of the interim. Staff will provide an analysis of the results from the city/county growth survey and a list of suggestions that have come from the panel discussions on growth issues. For more information, contact Martha Colhoun at the Legislative Environmental Policy Office (444-3742).

Water Policy...The EQC's Water Policy Subcommittee met in the afternoon and evening of January 8 in Helena. The Subcommittee finalized its work plan for the interim (soon to be posted on the EQC's Web page...!), discussed current issues relating to water policy in Montana, and received updates on wetlands planning, dam management, fish eradication policy, and several "return flow" studies. The Subcommittee spent most of the evening on its highest oversight priority--the Department of Environmental Quality's (DEQ) implementation of HB 546 (the "TMDL" bill). This involved an update from DEQ staff, a presentation and discussion on when water quality standard "exceedences" become "impairments" (i.e. how many times can a water quality standard be exceeded before a water should be put on the "impaired" list?), an update on waters that have been petitioned to be removed from the "impaired" list, and a discussion of septic regulation in Montana and septic's relationship to nutrient loading problems on 17 Montana waterways. The Subcommittee will meet again on March 12 in Helena, when it will continue its review of HB 546 implementation and Montana's water policy in general. For more information, contact Kathleen Williams at the Legislative Environmental Policy Office (444-3742).

Waste Tire Study... A working group of citizens, assembled to study alternatives for managing scrap tires in Montana in response to SB 332, has met twice and concluded that it is ready to identify problems, potential solutions, and make its recommendations to the EQC. Staff is gathering information in preparation for drafting a report on alternatives available in other states and on alternatives reviewed by the working group. EQC staff will be developing a draft list of problems identified by the group, viable options for solutions, and potential recommendations for the group to review and discuss at its next and possibly final meeting in late June. From this discussion it is anticipated that the study group will be finalizing its recommendations to the EQC.

Interested persons with suggestions on what alternative solutions should be included or information regarding current problems resulting from waste tire management in Montana are encouraged to contact Larry Mitchell at the Legislative

Environmental Policy Office (444-1352) or e-mail to <lamitchell@mt.gov>.

Best Management Practices... At its March 13 meeting, the EQC will continue its inquiry into innovations in pollution control with a panel discussion on voluntary BMPs (Best Management Practices) as they are applied to non-point source water pollution in Montana. Six panelists will address the availability and effectiveness of BMPs for; silviculture, agriculture, resource extraction/mining, hydromodification (e.g. streambank alterations), land disposal, and construction. After a presentation on each type of BMP, persons representing a variety of interest groups will provide their perspectives on how the application and effectiveness of voluntary BMPs in Montana can be improved, and whether they think there are components of current regulatory programs that could be replaced with BMPs. Broad participation from interested parties is welcome.

Total Maximum Daily Loads (TMDLs)....The EQC is co-sponsoring an interagency coordination meeting on March 4 in Helena. Other co-sponsors include the Watershed Coordinating Council, Montana's Department of Environmental Quality, and the Statewide TMDL Advisory Group. The purpose is to bring together program staff from various state, local, and federal agencies to discuss how water-related projects can be better coordinated. This will be especially important, considering recent developments related to HB 546 (the "TMDL" legislation) and fish recovery efforts. Contact Stuart Lehman at Montana's Department of Environmental Quality (444-5319) for more information on the interagency meeting.

To Meet Again in June....The next EQC meeting is scheduled for June 26.

For more information about the EQC or its subcommittees, please contact the Legislative Environmental Policy Office at 444-3742 or via the Internet at <teverts@mt.gov>.

GAMBLING STUDY COMMISSION

Commission Hears Progress Reports...The Gambling Study Commission met in Missoula on Tuesday, February 24. The main purpose of the meeting was to obtain the first series of progress reports from members of the Montana Bureau of Business and Economic Research (MBBER) study team. Pursuant to the terms of the contract the Commission has with MBBER and Gemini Research, the study team reported on the following items:

- the adequacy of gambling-related crime data for time series comparisons;
- the status of social cost/problem & pathological gambling data collection/analysis effort involving treatment centers; Gamblers' Anonymous;

- the availability of information on all gambling establishments on Indian reservations that have compacts with the state;
- the availability and adequacy of data on identity & residency of gambling enterprise owners and operators;
- the status of non-resident survey coordination with the Institute for Tourism & Recreation Research at U of M; and
- the development of the gambling industry survey/profile called for in the RFP and subsequent contract.

Commission Hears Other Reports...The Commission heard a presentation from Dr. Phil Brooks, the State Economist (at the Department of Labor) entitled "The Strengths and Pitfalls of Economic Multipliers" and discussed the potential for additional research on the incidence of gambling-related crime utilizing an informal statewide or regional survey of probation & parole officers.

The MBBER research team also provided the Commission members with a general update on progress of the household survey, which has been underway since mid-January. Finally, in accordance with a contract provision to mitigate any unwarranted outside pressure being brought to bear on the study itself, the contract team provided brief summaries to the Commission of all contacts with interested persons, organizations, and the media.

The minutes from this meeting, as well as the study proposal and contract are available from staff Research Analyst Stephen Maly at (406) 444-3064 or <smaly@mt.gov>.

OVERSIGHT COMMITTEE ON CHILDREN AND FAMILIES

Committee Holds Special Meeting...Over the past several weeks, health insurance and health care for the children of Montana's working poor families have become front-burner issues for state policy makers and the public alike. Having followed the Children's Health Insurance Program (CHIP) issue since its first meeting last fall, anticipating an escalation in public and political interest, and believing that CHIP warranted members' undivided attention, the Joint Oversight Committee on Children and Families decided at its last regular gathering on January 8 to schedule a special CHIP meeting for February 11.

Between the Committee's January 8 meeting and February 11, there were two significant developments in the child health care arena. On February 6, Governor Racicot announced that \$300,000 of Medicaid savings would be earmarked for the "Caring Program for Children", Blue Cross and Blue Shield's program to provide primary and preventive health care to kids without insurance. The state has been in partnership with the Caring Program for several years. On February 9, State Auditor Mark O'Keefe announced that Washington National Insurance Company, as part of a negotiated insurance settlement, had agreed to pay the state of Montana \$210,000

to help fund a CHIP pilot project.

Committee Hears DPHHS Proposal...At the February 11 Children and Families meeting, Mary Dalton and Nancy Ellery, Department of Public Health and Human Services (DPHHS) staff charged with developing a CHIP, presented to the Committee DPHHS' vision of a what a CHIP plan should entail, based on federal requirements, suggestions from the CHIP Advisory Committee, and recommendations from various interested persons and organizations. The Committee spent the morning of February 11 asking questions and discussing the specifics of the plan and Auditor O'Keefe's settlement with DPHHS and State Auditor staff and representatives of the insurance industry. Interested persons were also afforded the opportunity to comment on the plan.

Committee Offers Recommendations...To be fully implemented, a CHIP plan will have to be authorized by the 1999 Legislature. The Committee on Children and Families has considered its role in this CHIP development process as that of an advisory body, able to offer a legislative perspective and years of legislative experience. In that capacity, on February 11, members of the Committee on Children and Families made the following recommendations to DPHHS and to Governor Racicot. These recommendations are intended to provide guidance on the kind of CHIP plan Committee members believe has the best chance of being sanctioned by the 56th Legislature. The recommendations include:

Pilot Program: The Committee unanimously recommended that the Department of Public Health and Human Services (DPHHS) initiate a CHIP pilot program as soon as possible after approval of the state's plan by the Health Care Financing Administration.

Medicaid Expansion: The Committee unanimously recommended that an expansion of Medicaid in any form not be included as part of the state's CHIP plan. Committee members did not believe that a plan with a Medicaid expansion stands a chance of gaining authorization from the 1999 Legislature.

Benefit Package: The Committee unanimously recommended that, as a starting point, the CHIP benefit package for the pilot and the full program include the following:

1. inpatient and outpatient hospital services;
2. physicians' surgical and medical services;
3. laboratory and x-ray services;
4. well-baby and well-child services, including age-appropriate immunizations;
5. prescription drugs;
6. mental health and chemical dependency treatment services;
7. vision services (excluding eyeglasses); and

8. hearing services (excluding hearing aids).

The Committee wished to leave open the possibility of adding more services as CHIP authorization progresses through the Legislature.

Enrollment: The Committee unanimously recommended that CHIP be designed to serve children from ages 0 to 18 at 150% of the federal poverty level, starting with the youngest children first and continuing until the money is gone.

Participant Ownership (Cost-Sharing)

The Committee recommended by a vote of 7 to 1 that DPHHS pursue ways for participants in CHIP to financially contribute to its operation at a level that will not preclude low-income families from enrolling in the program.

Committee Urges Cooperation with Caring Program...The Committee on Children and Families also reiterated its continued support for and commitment to the Caring Program for Children and has urged DPHHS to work closely with the Caring Program to decide how best to serve all of Montana's children in need of medical care and health insurance.

For more information about the Joint Oversight Committee on Children and Families or on the Committee's CHIP recommendations, please contact Leanne Kurtz at 444-3064 or via e-mail at <lekurtz@mt.gov>.

OVERSIGHT COMMITTEE ON STATE MANAGEMENT SYSTEMS

Committee to Meet in March...On March 10, the Joint Oversight Committee on State Management Systems will tackle an agenda brimming with meaningful and interesting information technology topics and policy issues. The meeting will begin at 9 a.m. in Room 437 of the State Capitol.

Continuing its pursuit of information on what agencies are doing with the bonding authority received through House Bill 188, the information technology bonding bill, the Committee has requested the Department of Revenue (DOR) to present its information systems projects and plans. That presentation and discussion will then dovetail into an introduction and description of the Geographic Information Systems (GIS) Montana Cadastral Project currently underway at the Department of Administration's Information Services Division (ISD). The connection between DOR and GIS mapping technology may not be immediately apparent, until one considers the potential property tax data system benefits that a detailed electronic map of the entire state may afford DOR.

The Committee will also continue to provide a forum for local government and

state agency representatives to focus on ways to improve coordination among various state and local offices' data systems. ISD and local government emissaries will be on hand to discuss their progress in identifying the interfaces and enhancing communication.

Other items on the agenda include a presentation by ISD on its public safety radio project and updates on Year 2000 conversion, the Montana Project to Reengineer the Revenue and Information Management Environment (MT PRRIME), activities of the Information Technology Advisory Council (ITAC), the desktop software state standard conversion, and the Summit Net Executive Council.

For more information on the Committee or on the March 10 meeting, contact Leanne Kurtz at <lekurtz@mt.gov> or by phone at 444-3064.

REVENUE OVERSIGHT COMMITTEE

Committee Examines Electric Utility Taxation...The Revenue Oversight Committee met January 30 in Helena. As part of the tax analysis of the electric and natural gas industries required by SB 390 and SB 396, most of the morning was devoted to a discussion of the National Conference of State Legislatures' "Partnership on State and Local Taxation of the Electric Industry". The purpose of the Partnership is "to provide a communications forum for those who have various roles dealing with restructuring of the electric industry, but who rarely have an opportunity to work together." Members of the Partnership include legislators, legislative staff, investor-owned electric utilities, municipal utilities, rural electric cooperatives, and other corporations. The Partnership is sponsoring regional conferences around the country to examine issues related to the taxation of the electric industry. The regional meeting that included Montana was held December 11, 1997, in San Francisco. Representatives of the Revenue Oversight Committee, Consumer Counsel, and the Transition Advisory Committee as well as legislative staff attended the meeting. Representatives from Montana Power Co. and the Montana rural electric cooperatives also attended.

Rep. Chase Hibbard, who is a member of the Partnership and who moderated the San Francisco meeting, said that the objectives of the Partnership are to help state policy makers understand the implications of changes in the electric industry on state and local tax revenue, the effects of tax policy on competition, and the tax policy options that may be considered. In the course of developing tax policy recommendations the Committee must take into account the issues of revenue neutrality, economic neutrality, and tax shifting. Rep. Hibbard reminded the Committee that investor-owned electric utilities in Montana are subject to property taxes, the corporation license tax, energy producers' license tax, and regulatory taxes. He noted that taxes can distort competition, and the choice of supplier could be based on very small differences in price.

Jeff Martin, Committee staff, reported on property tax and corporation license tax issues as they relate to the electric industry. The property tax is fundamentally a

local tax, although in Montana property is subject to state levies of 101 mills. As such, the impact of restructuring will more likely affect local governments and local taxpayers and will vary by taxing jurisdiction. Electric utilities (and other class nine property) are subject to the highest property tax rate in the state. Thus, the impacts of changes in tax policy and of restructuring itself could be dramatic and highly concentrated. For example, the sale of Montana Power's generation assets would have a significant effect on Rosebud County. On the other hand, the local tax impact of the sale of the hydroelectric assets would not, except for Sanders County, be so significant. Martin said that revenue losses associated with the sale of the generation facilities or changes in state tax policy could be made up with substitute taxes (e.g., a kilowatt hour tax or an excise tax on electric consumption), by increased property taxes on other taxpayers, or by reduced government expenditures, or by a combination of all of these.

Investor-owned utilities in Montana are subject to the corporation tax license tax. In fiscal year 1996, corporation license taxes accounted for a little over 6% of state general fund revenue, but investor-owned electric utilities accounted for about 15% of total corporation license tax revenue. Loss of sales to out-of-state providers could erode the corporation license tax base unless nexus (physical presence in the state) with out-of-state sellers can be established.

Lee Heiman, Committee staff attorney, reported on issues related to nexus. Nexus is a requirement of the commerce clause of the U.S. Constitution that a state cannot tax a person unless there is a minimum connection between the taxing state and the person. Federal case law has addressed nexus, but most of it involves issues of fact. Heiman said that the sale of electricity by out-of-state power suppliers adds a new wrinkle with little concrete case law to work from. He suggested that the regulatory requirements contained in Senate Bill No. 390 could establish nexus. For example, the bill requires that any electric supplier must be licensed by the state. The licensing requirements were established without regard to nexus. Whether the licensing and other regulatory requirements are sufficient to establish nexus for tax purposes may ultimately be resolved by the courts.

Ernie Kindt, Montana Power, and Tim Gregori, representing rural electric cooperatives, presented their respective impressions of the San Francisco meeting. Kindt also discussed some of the implications of the sale of Montana Power's generation assets. Judy Paynter presented the Department of Revenue's latest property tax loss estimates from the sale. According to the Department's figures, there is a potential property tax loss, including the 101 statewide levies, of approximately \$7.9 million. Of that amount, \$4.4 million could be lost to local governments in 13 counties. These estimates are based on the assumptions that the generation assets would be locally assessed and that real property would be in class four (taxed at 3.83% of assessed value) and personal property would be in class eight (taxed at 6% of assessed value).

Dennis Burr, Montana Taxpayers' Association, presented a proposal to revise the property taxation of class nine property (this class includes electric and natural gas utilities, telecommunications, and oil and natural gas pipelines). The proposal would reduce the tax rate on all class nine property from 12% to 6% and replace the lost revenue with a 5% excise tax on electric and natural gas utilities and

telecommunications and a gross receipts tax on pipelines.

Revenue Estimating Work Continues...The Revenue Estimating Subcommittee did not meet separately. Instead, the full Committee discussed several areas regarding the revenue estimating process. Jim Standaert, Legislative Fiscal Division, presented a report on the effects of federal tax reform under the Taxpayer Relief Act of 1997 (for prior coverage see the January 1998 issue of *THE INTERIM*). Because Montana income tax law is tied closely to federal law, the most recent federal tax reform will have a significant, positive impact on Montana individual income tax revenue. The changes in federal law will figure in the revenue estimates adopted by the Committee next fall.

The Revenue Estimating Subcommittee has been reviewing revenue estimating profiles prepared by the executive and legislative branches. The profiles describe the revenue estimating methods used by each branch. The profiles are organized by type of state general fund revenue: individual income taxes, business taxes, natural resource taxes, interest earnings, statewide property taxes and nonlevy revenue, consumption taxes, and all other sources of revenue. The full Committee briefly reviewed natural resource taxes. The Committee also formally agreed to an accelerated timeline for adopting revenue estimates for the 1999 biennium. The accelerated timeline was developed jointly by the Office of Budget and Program Planning and the Legislative Fiscal Division. Under the new schedule, revenue estimates will be adopted by the Committee by October 23, 1998. Previously, the estimates were done in late November. The new, self-imposed deadline corresponds to the development and release of the Governor's budget.

Committee to Meet April 2 and 3...The Committee will meet on Thursday, April 2 and on Friday, April 3. The tentative schedule is to have the Revenue Estimating Subcommittee meet from 9 a.m. to 12 p.m. on Thursday and the full Committee from 1 p.m. to 5 p.m. on the same day and from 9 a.m. to 4 p.m. on Friday. The agendas have not been finalized, but the Subcommittee will review revenue estimating profiles for interest earnings and property taxes, while the full Committee will continue its analysis of utility taxation and will discuss the new method of taxing passenger vehicles. The Revenue Estimating Subcommittee will also meet March 4 at 10 a.m. in the State Capitol.

LEGISLATIVE FINANCE COMMITTEE

Committee to Meet on March 12 and 13...The Legislative Finance Committee (LFC) will meet on March 12 and 13, commencing at 1 p.m. on Thursday in Room 108 of the Capitol. The tentative agenda includes the following:

- state revenues and fund balance update;
- Resource Indemnity Trust potential funding shortfall;
- Mental Health Managed Care update;
- Children's Health Insurance Program funding;

- Year 2000 status/potential fiscal impact;
- potential impact of state desktop software standards conversion;
- current biennium non-legislative building purchases;
- supplemental requests for fiscal 1998;
- budget amendments/SB 19 operating plan changes; and
- MT PRRIME update on budget system.

Mental Health Managed Care Discussion...Included on the March LFC meeting agenda on Friday, March 13, at 8 a.m. will be a presentation on a proposed backup plan for the Mental Health Managed Care program from Montana Department of Public Health and Human Services management. In addition, the Department will update the Committee with what has been happening in this arena since the Department's last report to the LFC in December 1997.

CHIP Presentation...The Montana Department of Public Health and Human Services has been asked to report to the LFC on the specifics of the Children's Health Insurance Program (CHIP) State Plan that will be submitted for approval to the federal Health Care Financing Administration in March 1998. The Committee has also asked for the Department's response to the CHIP policy recommendations of the Joint Oversight Committee on Children and Families.

State Issues General Obligation Bonds...On February 18, the state of Montana sold \$75.94 million worth of general obligation (G.O.) bonds, receiving some of the lowest rates in the state's history. The state received nine bids for \$41.39 million worth of G.O. bonds approved by the 1997 Legislature in HB 188 to fund information technology (IT) initiatives, including projects to replace the state's primary legacy systems currently used to manage information regarding state personnel, accounting, budgeting, revenue collection, and tax administration. The maturity on the IT bonds varies between four and ten years to coincide with the life of the assets, with an average interest rate of 4.07 percent. Of the \$41.39 million, approximately \$28.04 million will be retired with general fund.

G.O. bonds totaling \$34.55 million were sold to fund Long-Range Building Program (LRBP) projects, virtually all of which will be retired with general fund. The state received five bids for the LRBP bonds approved by the 1997 Legislature in HB 14 to fund seven projects for the University System, as well as expansion projects at Pine Hills and the Montana State Prison. (HB 14 approved a total of \$48.13 million in bonding. Bonds for the other projects have been or will be sold at different times in accordance with construction schedules.) The LRBP bonds have a 20-year maturity and were sold at rate of 4.58 percent. The state continues to enjoy the second highest G.O. bond rating possible, from both Standard and Poor's and Moody's rating agencies.

POSTSECONDARY EDUCATION POLICY AND BUDGET COMMITTEE

PEPB to Meet in March...The Postsecondary Education Policy and Budget Committee will meet March 2 in Room 108 of the State Capitol. The agenda will include discussions on student financial aid and two-year education programs.

COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Consultants to Present Options and Recommendations...Retirement plan design consultants will present options and recommendations for modifying or replacing the current Public Employees' Retirement System (PERS) at a meeting of the Committee on Public Employee Retirement Systems (CPERS) on March 5 and 6. The meeting will begin at 8:30 a.m. on both days and will be held in Room 325 of the State Capitol.

The consultant's report will include an assessment of the personnel goals and interests of the Legislature, the PERS Board, employers, and employees based on focus group information and comments submitted for CPERS's consideration. Then, the consultants will present alternative plan design changes and an analysis of the advantages and disadvantages of each alternative. Finally, the consultants will present their recommendations based on their understanding of Montana's needs. Written copies of the consultant's report will be available upon request after February 24, 1998. General interested parties will be asked to pay for copying and postage. The report, to the extent possible, will also be posted to the CPERS Internet site at <http://www.mt.gov/leg/branch/int_comm.htm> and sent to Montana libraries that are regular depositories for state government documents.

A two-hour video conference on March 5 from 4 p.m. to 6 p.m. using METNET and EMTN sites around the state will offer the opportunity for statewide comment on the consultants' report. The following sites are included in the conference:

- Baker, Fallon Medical Center
- Billings, MSU-B, Special Education Bldg., Rm 162
- Bozeman, MSU, EPS Bldg., Rm 126
- Butte, Montana Tech., Rm 231, ELCB.
- Colstrip, Colstrip Medical Center
- Culbertson, Roosevelt Memorial Hosp.
- Dillon, WMC, Library, Rm LCL 23
- Glasgow, Deaconess Hosp.
- Glendive, Glendive Medical Center

Great Falls, College of Tech., Rm 147
Havre, MSU-N, Hagener Science Center, Rm 202
Helena, DPHHS Auditorium
Helena, (CPERS site) College of Tech., Rm 209
Kalispell, FVCC, Learning Resource Center, Rm 120
Miles City, Community Mental Health Center
Missoula, UM, Gallagher Bldg., Rm 106
Sidney, Community Memorial Hosp.

Committee to Select Options for Further Consideration...On Friday, March 6, CPERS will discuss the consultants' report and the options for modifying or replacing PERS. After the discussion, CPERS will take executive action to select which option(s) to consider further. The consultants will then be directed to conduct a thorough actuarial and fiscal analysis of the selected option(s) for presentation at the next CPERS meeting currently scheduled for early May.

For more information, contact Sheri Heffelfinger at (406)444-3064 or by e-mail at <sheffelfinger@mt.gov>.

SUBCOMMITTEE ON VETERANS' NEEDS

Subcommittee to Meet in Columbia Falls...The Subcommittee on Veterans' Needs will conduct its second meeting of the interim at the Montana Veterans' Home (MVH) at Columbia Falls on Monday, March 23, beginning at 8 a.m.

Key agenda items include a tour of the MVH and a discussion of the facility's mission and the special needs of the veterans' served at the MVH, including veterans with acute alcoholism, psychiatric needs, and Alzheimer's. Other items on the agenda include special license plates and free fishing licenses for members of the Legion of Valor, clarification of laws governing veterans' burial rights, a World War II veterans' memorial in Washington D.C., and a briefing on the Montana National Guard recruitment and retention trends and issues. Time will also be set aside for public comment.

For further information, contact Sheri Heffelfinger at (406)444-3064, or by e-mail at <sheffelfinger@mt.gov>.

CORRECTIONAL STANDARDS AND OVERSIGHT COMMITTEE

Subcommittees Meet...The Private Prisons and Programs Subcommittee met February 20 and discussed items relating to a meeting with the District Court judges in May at the Judges Conference in Whitefish and potential areas that the

Subcommittee would like to discuss with the Board of Pardons and Parole.

The Ad Hoc Committee on Sentencing also met on February 20 and is preparing recommendations for the full Committee on a review of sentencing statutes and alternatives to incarceration.

The Juvenile Issues Subcommittee coordinated a downlink site for a video teleconference entitled "Comprehensive Juvenile Justice in State Legislatures" sponsored by a National Conference of State Legislatures and federal Office of Juvenile Justice and Delinquency Prevention. The Subcommittee also met on February 26 to discuss a potential response to the Montana Supreme Court striking down the Extended Jurisdiction Prosecution Act and block grant fund requirements from the federal government. The afternoon was spent reviewing administrative rules proposed by the Department of Corrections on the licensing of juvenile detention centers.

Committee to Meet in Great Falls...The next full Committee meeting will be Friday, March 6, in Great Falls. The morning session will be held at the Great Falls Prerelease Center and will include a tour; a presentation on juvenile parole and transition centers; a presentation by Wyman McDonald, Coordinator for Indian Affairs; and staff research reports. The afternoon session will be held at the Cascade County Regional Correctional Facility and will include a tour; a presentation by three local Cascade County criminal justice programs; and an update from the Department of Corrections on the Langford execution, the prison riot trial, and contracts for prison beds.

If you are interested in being placed on the interested persons list for the Correctional Standards and Oversight Committee or any of its Subcommittees, please contact Susan Fox at 444-3064 or <sfox @mt.gov>.

SUBCOMMITTEE ON WELFARE AND CHILD SUPPORT ENFORCEMENT PROGRAMS

Committee to Hear From DPHHS...The Subcommittee on Welfare and Child Support Enforcement Programs will meet on Wednesday, March 11 in Room 104 of the State Capitol, beginning at 8:30 a.m. The Subcommittee will hear presentations from the Department of Public Health and Human Services on how the Department would operate a public assistance program and a child support enforcement program using only state funds, approximately \$36 million.

For more information, please contact Connie Erickson at (406)444-3064 or by e-mail at <cerickson@mt.gov>.

TRANSITION ADVISORY COMMITTEE

Transition Advisory Committee Meets in Missoula...The Transition Advisory Committee (TAC) met in Missoula on February 6. The Committee had a full agenda. In the morning, the Committee provided a forum for public comment on electric industry restructuring issues. The Committee heard from the Montana Electrical Workers Union. The Union expressed concern over lost jobs due to the restructuring process.

The TAC discussed in-depth the issues surrounding the call for a special legislative session. The Committee generally acknowledged that many of the issues raised by the call for a special legislative session were being discussed in the TAC meetings. The TAC Chairman, Senator Thomas, requested that excerpts from the minutes of this TAC meeting be distributed to all legislators.

TAC Hears Panel Discussions...The TAC heard a series of excellent panel discussions. The first panel discussed the current status of efforts to establish power purchasing pools through customer aggregation including any problems the groups are encountering and any innovations taking place. Panelists included the: University System, Montana Association of Counties, Montana Hospital Association, Montana School Board Association, Montana Automobile Dealers Association, Montana Electric Cooperatives, and the Montana Environmental Information Center.

The second panel was concerned with the barriers for marketers and suppliers of electricity for entry into a competitive market for electricity in Montana including issues should Montana consumers anticipate during the remainder of the transition period. Commentators included: Montana Power Company, Montana Electric Cooperatives, PacifiCorp, Enron, Bonneville Power Administration, and Commercial Energy.

The third panel was a discussion on how interested parties interpret the reciprocity provisions of Senate Bill 390. Panelists included: Montana Power Company, PacifiCorp, Enron, and Avista Energy.

If you would like details on these panel discussions call Todd Everts at the Legislative Environmental Policy Office (444-3747).

TAC Subcommittees Continue Work...The TAC Universal System Benefits Program (USBP) Subcommittee is charged with making recommendations to the full TAC on the creation of a USBP fund and how that fund should be administered. The USBP Subcommittee met on February 5. Chairman Bergsagel facilitated the meeting. After extensive discussion from a wide variety of interested parties, the Subcommittee concluded that it needed more time to analyze and discuss the funding issues. The USBP subcommittee scheduled a two day meeting for March 4 and 5.

The TAC Education Subcommittee met on January 22 and reviewed the Collaborative Education Program. The goal of the collaborative is to provide customers with a generic restructuring message describing customer choice and providing direction on the implementation of customer pilot programs. The Subcommittee has not scheduled its next meeting.

The TAC PSC Subcommittee met on January 16. The Subcommittee heard a panel discussion on reciprocity. It recommended that Committee staff draft a legal opinion on reciprocity and that the full TAC hear a panel discussion on the issue. The Subcommittee also developed the full agenda for the February 6 TAC meeting. The PSC Subcommittee has not scheduled its next meeting.

Next meeting date...The TAC's next regularly scheduled meeting is April 24, 1998.

THE BACK PAGE

The 1997 Montana Legislature passed the Electrical Restructuring Act as a way of addressing the restructuring of the electrical industry in light of deregulation. While restructuring is a very complicated process, the Montana Power Company's recent announcement of the proposed sale of its power generation facilities added a new layer of complexity.

This month's "The Back Page" looks at what lies ahead for Montana as we face the brave new world of electrical utility deregulation.

Perestroika in the Power Industry

by Stephen B. Maly, Research Analyst
Legislative Services Division

"Perestroika is a word with many meanings...The principal priorities...lie in a profound reorganization of the economy, in reconstruction of its material base, in new technologies, in investment policy changes, and in high standards of management. All that adds up to one thing--acceleration of scientific and technological progress."

Mikhail Gorbachev, 1987

INTRODUCTION

The issues embedded in the Electrical Utility Restructuring Act (a.k.a. Senate Bill 390) are becoming increasingly familiar to readers of **THE INTERIM** and to Montana citizens in general. The Montana Power Company's decision to sell all of its hydroelectric and coal-fired generation assets in the state served as a wake-up call to those consumers, local governments, and other interested parties who may have missed the fact that something big, perhaps really, really big, had happened in the 1997 legislative session, and that that same big something is far from being over and done with.

Meanwhile, a number of legislative bodies have been and continue to wrestle with the details of implementing SB 390. The Transition Advisory Committee bears the biggest load, since it was created by the legislation itself to monitor and oversee the restructuring process. The Revenue Oversight Committee and the Interim Property Tax Committee are also looking into the various tax policy implications of the legislation, as are a number of county commissions in whose jurisdiction the tax bite could be sharp and deep. In addition, elected and administrative officers from the cities of Great Falls, Helena, and Missoula have also arrived on stage in an energetic fashion. Electrical industry restructuring is making headlines in Montana, and there's miles to go before the noisy combustion of related issues causes anyone to nod off.

Embedded in the debate over restructuring (*perestroika*) is, as Gorbachev put it, "an arsenal of constructive ideas". This brief essay takes a broader view of electrical industry restructuring than what is encapsulated in SB 390, and will attempt to leapfrog current controversies to take a closer look at what may lie ahead, in the next decade or two, as partial deregulation sweeps across the land and knocks away traditional barriers and borders to the free flow of commercially priced electrons.

WHAT IS RESTRUCTURING?

Restructuring is predicated on two basic changes in the way electricity is produced and delivered: a shift from state-regulated monopolies to deregulated price competition in the generation and sale of electrons (but NOT their transmission and distribution), and the functional separation or divestiture of these same firms into distinct commercial entities. The point of it all is to allow market forces to drive down costs and, hence, provide all types of customers with cheaper electric power. Beyond the two elements above and this price objective is a plethora of conflicting theories and interpretations of what partial deregulation is all about. Montanans and other Americans are accustomed to a situation characterized by stability, predictability, reliability, and, for some businesses, long-term supply contracts. Under regulation, utilities operated in a cost-plus environment: their capital, operations and maintenance costs were covered by rates charged to customers. In addition, state regulatory bodies allowed utilities to earn a fixed return. In the post-transition period, once all customers have choice, competitive market forces will at least in theory reward entrepreneurial risk and spur innovation that will lower consumer prices. On the other side of the ledger is the increased risk that utility customers must bear, which will be manifested in shorter term supply contracts and price volatility.

Restructuring is a jargon junkie's cloud nine. In other words, it can be hellatiously difficult to understand because the experts often sound as if they're speaking a foreign language. A typical sentence in a dialogue about restructuring is likely to include "stranded costs", "aggregation" and "load profiles" juxtaposed to a convoluted string of acronyms such as CTCs, QFs, GCTs, T&D, BPA and FERC, (which is pronounced "ferk"). Then there's the complexity of it all: a bundling of the dismal science of economics and its variously sordid subsets (including futures markets and discount factors), several galaxies worth of environmental this and that, large parcels of engineering tied up with basic accounting principles (help!), all of which rests on an infrastructure of fluid mechanics, the physics of physical infrastructure, and the biochemistry of bipartisan political alliances as well as plain vanilla partisan wrangling. I don't intend to touch any of this, but will, later on, point toward useful sources of information and analysis, some of which include handy glossaries. I'm taking the easier route of raising some basic questions and making some general, nonpartisan observations.

BIG PICTURE QUERIES

Close observers of the electric utility industry and of state legislatures across the country often assert that deregulation is "inevitable". If they're right, does this mean that the restructuring will not stop with wholesale and retail wheeling of electricity, that down the road we will see deregulation of transmission and distribution as well?

Does partial deregulation of electricity and natural gas in an increasing number of states portend full-scale deregulation of the energy industry in the United States? If so, what will it bring with respect to prices, fuel choices, and reliability of supply?

How long will hydroelectric power remain competitive with low-cost, highly efficient, relatively mobile means of production, such as gas combustion turbines? Will water trump power? As technologies change and other values associated with hydro facilities transcend the price of electricity, is it foreseeable that dams will be decommissioned?

Will restructuring accelerate tax reform? Will it serve as the handmaiden to new types of taxes, or to increases or decreases in taxes that are already in place? Whether intended or not, will restructuring facilitate a comprehensive overhaul of state tax structure?

Will restructuring sooner or later lead to giant unregulated energy oligopolies, with all the attendant benefits of enormous economies of scale and scope and the concomitant potential for abuses of market power? Will it result in a market dominated by half a dozen or so very large and highly integrated corporations offering to supply industries, businesses and residential consumers with virtually all of their energy needs and just about every other important service under the sun, including phone, fax, internet, TV, and credit? Or does restructuring portend instead a widely decentralized energy system consisting of relatively autonomous, self-reliant islands and archipelagos of energy production and distribution?

Will restructuring help bring about cleaner air and water, lower emissions of greenhouse gases, less ozone depletion, or will it have the opposite effect?

Will partial deregulation provide consumers with more or less assurance than they have today that the electricity they purchase will arrive on time and will be derived from sources to their liking, whether that means hydroelectric dams, natural gas, nuclear fission, wind, solar, or something else?

As restructuring proceeds state by state across the western region, will electricity prices tend to level out? For example, will California's relatively high prices taper off and Montana's relatively low prices increase as more suppliers compete to supply the larger regional market? If prices do level out, as many--but not all--expert observers forecast, will energy-intensive manufacturing enterprises now resident in states like Montana migrate elsewhere?

Montana is in the forefront of states barreling down the path to retail competition. California, Nevada, Maine, New Hampshire, Pennsylvania, Rhode Island, and Oklahoma are on similar schedules, and some 40 states are considering restructuring legislation. One of the things that sets Montana apart from this vanguard is that it alone is presently a low-cost venue for electricity production and consumption. What are the advantages to being out in front, especially in a low-cost state?

SB 390 speaks to each of these concerns, sometimes clearly, sometimes obliquely, but it does not resolve them fully. Questions remain. There are still strong differences of opinion and divergent interpretations of some of the new law's provisions even among erstwhile supporters of restructuring. And overall, there is a great deal of uncertainty about just how big a deal partial deregulation really is in the grand scheme of things.

BROAD BRUSH OBSERVATIONS

Restructuring is not just about the monetary price we will pay in the future for the energy light and heat for our homes, schools, hospitals, government buildings, and places of business. Beyond the economics of how electricity is priced, and taxed, there is a raft of other issues, including water rights, land development, industrial siting, and recreational access.

The pace and policy parameters of restructuring will determine the role of renewable energy sources in the future, the relative cost of bringing them into the market, and the relative size of the niche they will occupy in future energy markets. States and municipalities play a role. For example, the governor of Colorado issued an executive order in 1997 that commits the state to significantly increasing its use of renewable energy, and he also announced that the governor's residence will be powered by wind energy. The taxpayer-owned Sacramento Municipal Utility District has become one of the "greenest" utilities in America, with low rates and one of the country's best utility bond ratings.

Restructuring is casting different shades on "green" power and its prospects. Some renewable energy advocates consider wind power as environmentally benign, while others consider it an ugly and noisy imposition on the landscape. Notwithstanding these differences, consumer polls indicate that people do care about where their energy comes from, want to be informed of their utility's fuel mix in monthly bills, and are willing to pay a premium for green energy.

Partial deregulation may increase the pressure to remove the technical and self-imposed cost barriers between regional grid systems, and thereby increase total system vulnerability to power disruptions caused by natural disasters, human error, or sabotage. Power networks across Canada and the United States are highly interconnected. In 1965, a defective relay switch triggered a blackout that stretched from Eastern Canada to the Carolinas. An outage in 1996 temporarily cut off power

to millions of people in the western states, which are part of a large regional grid that includes Alberta and British Columbia as well as a small part of northern Mexico. Last year, the failure of a switch in San Francisco--apparently the work of a saboteur--caused a similar regional blackout.

The debate over the implications of restructuring is rife with speculative arguments, most of which hinge on divergent assumptions about the future intersection of consumer behavior, government policy, international events, investment decisions, and technological change. In short, the main argument is about "market forces". Like the word *perestroika*, this seemingly simple combination of terms means different things to different people. A more poignant observation, perhaps, is that the same people who expect competitive market behavior to drive electricity prices down in the western region over the next few years also accept that within a short time thereafter market forces will bring about a higher degree of economic concentration in the energy industry than we've seen for many decades.

The transition to competition from regulation marks a significant departure from longstanding relationships between the owners and end-users of electricity. Before restructuring, the interests of utility company stockholders were in large measure congruent with those of ratepayers. Both parties were assured of secure benefits, a guaranteed return on investment for the stockholders and affordable electricity for consumers.

Restructuring is not confined to the gas and electric utility industries. In recent years Americans have been faced with deregulation in the airline, railroad, trucking, and telecommunications industries. The national health care industry is undergoing its own type of restructuring, as is the banking and financial services industry writ large. Welfare reform is another chapter in the same book. Needless to say, the economic and social consequences of deregulation in each of these arenas are different; in general terms, it's fair to say that the results are mixed. Restructuring is a dynamic process, not an end game. When prices go down, other costs can go up. The initial flurry and proliferation of competitors in a deregulated environment can lead (and has led, for example, in the cable television industry) to a reconfiguration of markets that resemble the old regime, minus the regulatory authority. All of this is part of a much bigger movement, nationally as well as in most parts of the world, toward privatization, and privatization in turn is also associated, at least in many countries and in many sectors of the global economy, with decentralization. It's tough to corner a dispersed and decentralized market.

WHO'S IN CHARGE?

As noted above, restructuring raises a number of knotty issues concerning the future governance of water resources as well as electric power, whether it is derived from hydro facilities, coal fired plants, natural gas turbines, or some alternative source. Water rights were not included in the discussion preceding passage of SB 390, nor are

they addressed anywhere in the bill, but they occupy center stage in Idaho, where a legislative committee is studying the issue in advance of any concerted effort to pass restructuring legislation. Montana Power Company officials have characterized water rights as a "red herring" in the current debate over the implications of the company's sale of its Missouri system dams. They argue that any new owner(s) of the dams will be obligated to respect the needs of junior water right holders. Some of the irrigators who have grown accustomed to using MPC's water aren't so sure that an out-of-state corporation will provide the same favors in the future, however.

Other people are concerned about fish and wildlife. One of the uncertainties of the moment is whether the Federal Energy Regulatory Commission (FERC) will "restructure" its own policies and priorities in response to deregulation of electricity generation. To what extent--if at all--will FERC be compelled by practical and political considerations to ease its existing licensing restrictions that are designed to subordinate profit maximization to other important public values, such as the maintenance of a robust fishery resource and in a healthy fish habitat?

Another governance issue concerns the management of electricity flows into, out of, and within the western region. California's restructuring legislation spawned an independent system operator (ISO) with stakeholder membership to manage the pooling and trading of blocks of electricity. A similar entity, called the Independent Grid Operator (or Indego) has been discussed and recommended for the Northwest region, but it has yet to materialize. Absent any agency or institution to fulfill this vital technical function, there is no certainty that the economic benefits of restructuring will be enjoyed by any but the largest customers in the region, who will be the first--under SB 390--to enjoy choice in power supply. This situation has been likened to an increasingly busy air terminal that doesn't have an air traffic control tower. The analogy is far from exact, in that the obvious risk is not that pieces of the system will crash and people will get hurt, but rather that some of the less expensive flights won't be able to land where and when they're needed; or, in other words, lower-priced energy products and services just won't get off the ground.

No one can say yet just how serious these and related governance issues will turn out to be, whether water rights are indeed a red herring or whether the relatively small customers in Montana and elsewhere will be told to "go fish" while they wait for an independent system operator to get set up. Still, even the perception of seriousness constitutes risk. As Mr. Gorbachev was made to realize shortly after launching his own version of perestroika, those who lead the charge into a brave new world are sometimes bumped out of the saddle.

SOMETHING NEW OR DEJA VU?

Competition fuels innovation. Perestroika in the power industry may signal the imminent commercial success of amazingly clean and efficient sources of energy, including solar, wind, cold fusion, fuel cells, and the much-touted hydrogen economy.

Back in the 1920s, Hungarian-born Nikola Tesla, a pioneer in electrical energy, predicted with great confidence that radio waves would carry all the power earthlings would ever need. "Huge and expensive transmission lines will be unnecessary," Tesla wrote 70 years ago in *Modern Mechanix* magazine. "Bulky and unsightly distribution systems will be done away with. A little receiving device in your home will give you all the power you can use for only a fraction of present-day costs." Tesla died before the development of microwave technology, and since then a great deal of research has gone into the technology of harvesting solar energy from space-based platforms which might someday be capable of beaming energy to earth safely and effectively. Other efforts are more down to earth. According to Rahman Saifur, an energy expert at Virginia Polytechnical Institute, "the futuristic approach is to generate power where it is needed so that it doesn't have to be moved long distances. In a sense, that was the way it was done 100 years ago: small local plants generating the power needs of the local community." If enough small, independent generators were to succeed in the restructured market, it would be possible for them to feed their excess power into local grids and do away with the need for centralized generating plants."

Setting aside the darker visions of oligopoly alluded to earlier, what might emerge at the end of the transition to competition is something quite familiar to the elders of our society and quite amenable to young and old alike--the energy equivalent of micro breweries.

Beer and "juice" have a lot in common. Just think about it for a moment, perhaps while sipping a cool one in a tastefully lit tavern or restaurant. A hundred years ago, small, local breweries were the norm. Industrial growth and development, coupled with economies of scale and other market forces led to the market dominance of just a few brewing giants. Mergers brought further concentration. Then something happened: consumers demanded something better, to exercise choice, and they were willing to pay a small premium to get what they really wanted. The genie was out of the bottle, so to speak. A new, old-fashioned industry took off. Now it's going strong, in Montana and across the country. Some of the giants, ever responsive to market signals, have bought up many labels and bought out some of the competition. No doubt there are sharp minds at work on developing One Big Beer, just as AT&T has teamed up with several major utilities to form a megafirm called EnergyOne. And that brings us back to the future, again.

GLASNOST, OR "MORE LIGHT!" ON THE SUBJECT

As Mikhail Gorbachev expressed a decade ago, "We want more openness about public affairs in every sphere of life. People should know what is good, and what is bad too, in order to multiply the good and to combat the bad." The distinction between "good" and "bad" elements in electrical industry restructuring is largely a matter of ideological taste and one's personal appetite for speculation. I won't bite my own bait here. However, in the spirit of openness that pervades our civic culture and is also fixed in the firmament of state law and policy, here is a small smorgasbord of informational

offerings that may help Montana citizens (and citizen legislators) gain a broader understanding of where we're headed with restructuring. Gluttons for punishing overloads of information will rejoice in the fact that this is a mere sampling of what's available in the library, on the market, and over the internet.

Final Report of the Comprehensive Review of the Northwest Energy System, a study undertaken by the governors of Washington, Oregon, Idaho, and Montana in 1996.

Assessing Impacts on Small-Business, Residential and Low-Income Customers, the National Council on Competition and the Electric Industry, 1997.

Montana Power Company transition plans, filed with the Public Service Commission (docket No. D97.7.90) under provisions of Senate Bill 390. The most recent revised plan, and the one that addresses the sale of MPC's generation assets, is dated January 30, 1998.

Clearing Up: Northwest Energy Markets, a weekly summary of energy and utility news for the Pacific Northwest states and the provinces of Alberta and British Columbia. For subscription information, call (206) 285-4848.

"Power of Choice", Seth Dunn, *Worldwatch* magazine, September/October, 1997.

"Dawn of the Hydrogen Age", Jacques Leslie, *Wired* magazine, October, 1997.

"Element One - Hydrogen: Key to the Sustainable Energy Revolution", is an hour-long video that features, among other things, "a colloquium of world class energy experts who reveal the environmental, political, and economic consequences of our continued dependence on fossil fuels and why hydrogen is the key to the sustainable energy revolution." Available for sale or rent from the Video Project, 200 Estates Drive, Ben Lamond, California 95005, 1-800-4-PLANET.

The following websites provide a wealth of information from a variety of perspectives:

National Conference of State Legislatures, <http://www.ncsl.org>.

Alliance for Competitive Electricity, <http://www.afce.org>

Electric Power Supply Association, <http://www.epsa.org>

Western Regional Transmission Association, <http://wrrta.net>

Electrical Information Agency, <http://eia.doe.gov>

The first two (November, 1997 and February, 1998) and subsequent issues of the

TAC Report, a quarterly newsletter of the Electric Utility Transition Advisory Committee, contain short features, updates, an ongoing glossary of terms, additional websites, and a schedule of upcoming TAC and subcommittee meetings. The newsletter is free and available from Legislative Services staff.

THE CACOPHONY OF CONTROVERSY

The following quotations have been plucked from the pages of recent articles, reports, and editorials on electrical industry restructuring in Montana and other parts of the country. Specific attribution to each author would probably add more noise than clarity. Rest assured that none of these statements came out of the blue.

They [utilities] all want competition, but not in their own service territories.

Every comprehensive analysis we've seen on the [restructuring] issue shows higher prices for the [Northwest] region as a consequence.

I think the market is going to be more effective in forcing utilities to be competitive than the regulatory regime. Success in the market will be about controlling costs rather than burying regulators in mountains of data to justify rate increases.

Electricity lies at the heart of our economy and our daily lives, and it powers the information age.

The only surprise [is that] there are still a couple of states out there that think restructuring of the electric industry might not happen.

Whether it is price discounts, innovations in services or improvements in service quality, the beneficial impacts of a competitive electric industry will flow to large customers for whom competition works. Conversely, whether it is price increases or lapses in service quality, the adverse impacts will flow to small customers, for whom competition does not work...Ensuring that the actions of utility companies comply with fundamentally fair procedures and principles is not guaranteed by a competitive market.

Once there was a silly old ram, thought he'd punch a hole in a dam...



INTERIM CALENDAR

UNLESS OTHERWISE SPECIFIED,
ALL ROOM DESIGNATIONS ARE IN THE CAPITOL

MARCH

- March 2, Postsecondary Education Policy and Budget Committee, Room 108, 9 a.m.
- March 4, ROC Revenue Estimating Subcommittee, Room 437, 10 a.m.
- March 5, Interim Property Tax Committee, Depot Center, Livingston, 9 a.m.; Public Hearing, 7 p.m.
- March 5, Committee on Public Employee Retirement Systems, video conference, 4 p.m. (list of sites on pages 12 and 13)
- March 5-6, Committee on Public Employee Retirement Systems, Room 325, 8:30 a.m.
- March 6, Interim Property Tax Committee Public Hearing, Public Library Community Room, Bozeman, 9 a.m.
- March 6, Correctional Standards and Oversight Committee, Great Falls: Great Falls Prerelease Center, 8:30 a.m.; Cascade County Regional Correctional Facility, 1:30 p.m.
- March 10, Committee on State Management Systems, Room 437, 9 a.m.
- March 11, Subcommittee on Welfare and Child Support Enforcement Programs, Room 104, 8:30 a.m.
- March 11, LFC Subcommittee on Dedicated Revenue and Statutory Appropriations, Room 108, 8 a.m.
- March 12, LFC Subcommittee on Internal rate-Setting Methodologies, Room 108, 8 a.m.

March 12, EQC Water Policy Subcommittee, Room 104

March 12, EQC Growth Subcommittee, Room 104

March 12, Legislative Finance Committee, Room 108, 1 p.m.

March 13, Legislative Finance Committee, Room 108, 8 a.m.

March 13, Environmental Quality Council, Room 104

March 20, Legislative Council, Room 104

March 23, Subcommittee on Veterans' Needs, Montana Veterans' Home, Columbia Falls, 8 a.m.

March 27, Legislative Audit Committee, Room 104

APRIL

April 2, ROC Revenue Estimating Subcommittee, Room 104, 9 a.m.

April 2, Revenue Oversight Committee, Room 104, 1 p.m.

April 3, Revenue Oversight Committee, Room 104, 9 a.m.

April 16, Interim Property Tax Committee, Glasgow

April 17, Interim Property Tax Committee, Wolf Point

April 22-23, Subcommittee on Welfare and Child Support Enforcement programs, Room 104, 8:30 a.m.

April 24, Transition Advisory Committee

Legislative Services Division
Room 138, State Capitol
P.O. Box 201706
Helena MT 59620-1706

